

Message Text

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SUBJ: LOST EXPORT OPPORTUNITIES: U.S. FIRMS LOSING OUT ON

HEALTH EQUIPMENT SALES.

SUMMARY: U.S. SUPPLIERS LOSING OPPORTUNITY TO COMPETE FOR
MAJOR GOP HOSPITAL REEQUIPMENT AND CONSTRUCTION PROGRAM
1973-74 DUE TO LACK OF EX-IM BANK FINANCING. HUNGARIANS HAVE
INSIDE TRACK. END SUMMARY.

1. HOSPITAL SUPPLIES AND EQUIPMENT IS ONE OF PRIORITY FIELDS FOR
USG EXPORT EXPANSION EFFORTS. IN PERU, DESPITE MAJOR GOP INCREASE
IN HEALTH EXPENDITURES DURING NEXT TWO YEARS, U.S. FACES SHARPLY
DETERIORATING MARKET SITUATION DUE IN LARGE PART TO LACK OF EX-IM
BANK CREDIT. HUNGARIANS ARE MOVING IN USING AS WEDGE SOFT CREDITS,
AND WILL APPARENTLY WIN MAJOR SHARE OF GREATLY INCREASED GOP
EXPENDITURES (ESTIMATED AT \$25 MILLION) ON HOSPITAL AND HEALTH
EQUIPMENT INVESTMENTS.

BACKGROUND

DURING 1960'S, U.S. MEDICAL EQUIPMENT FIRMS MANAGED TO RETAIN A
SIZEABLE SHARE OF MARKET FOR MEDICAL EQUIPMENT DESPITE VERY STRONG
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COMPETITION FROM FIRM HOSPITALIA INTERNATIONAL (JOINT SUBSIDIARY

OF SIEMENS AND PHILIPS) WHICH USED WEST GERMAN GOVERNMENT CREDIT GUARANTEE OF DM 50.4 MILLION TO BUILD AND EQUIP SERIES OF HOSPITALS AND HEALTH FACILITIES THROUGHOUT PERU. DURING THIS PERIOD U.S. FIRMS MANAGED TO WIN CONTRACTS FOR CONSTRUCTION AND EQUIPPING OF AT LEAST THREE MAJOR HOSPITALS AND CONTINUED TO MAINTAIN A STRONG POSITION IN REEQUIPMENT OF PRIVATE HOSPITALS.

CURRENT GOP PLANS 1973-74

PERUVIAN GOVERNMENT CURRENTLY PLANS MAJOR UPGRADING OF EXISTING HOSPITALS AND CONSTRUCTION OF NEW HOSPITALS THROUGHOUT COUNTRY, INCLUDING MAJOR NEW HOSPITALS OF CHIMBOTE, IQUITOS, AND LIMA (300-550 BEDS EACH). MINISTRY OF HEALTH ALSO INTENDS TO REEQUIP OVER 80 EXISTING HOSPITALS AND BUILD AND EQUIP 20 SMALLER HOSPITALS (52 BEDS EACH) IN AREAS WHERE NO HEALTH FACILITIES NOW EXIST.

IN ADDITION, SOCIAL SECURITY INSTITUTE WILL SOON BE ANNOUNCING REQUEST FOR TENDERS FOR BUILDING OF TWO NEW 250-BED HOSPITALS IN LIMA AND FOR REEQUIPMENT OF ALL ITS HOSPITALS THROUGHOUT PERU. THIS ONE CONTRACT ESTIMATED AT \$6 MILLION.

HUNGARIAN ACTIVITIES

HUNGARIAN GOVERNMENT FIRM MEDICOR IS WINNING ALL NEW MAJOR CONTRACTS DESCRIBED ABOVE DUE TO EXISTENCE OF SERIES OF CREDIT AGREEMENTS BETWEEN HUNGARY AND PERU AT TERMS GENERALLY OF 10-12 YEARS AT 2.5 PERCENT INTEREST. ALSO, PART OF REPAYMENT WILL BE ACCEPTED BY HUNGARY IN PERUVIAN PRODUCTS, REPORTEDLY FISHMEAL. ALTHOUGH SOCIAL SECURITY INSTITUTE WILL TO THROUGH MOTIONS OF BID PROCEDURES, IT FOREGONE CONCLUSION HUNGARY WILL WIN NEW CONTRACT. HUNGARIANS HAVE ALREADY SIGNED \$20 MILLION AGREEMENT TO EQUIP RECENTLY FINISHED 285 BED HOSPITAL IN PIURA AND HAVE SIGNED \$3.3 MILLION AGREEMENT TO SUPPLY SETS OF EQUIPMENT FOR REEQUIPPING 34 HOSPITALS AND 100 MEDICAL POSTS ALL OVER COUNTRY.

U.S. POSITION

AGAINST HUNGARIAN COMPETITION U.S. SUPPLIERS ARE HELPLESS WITHOUT EXIM CREDIT. BEST ONE MAJOR FIRM CAN NOW OFFER IS 5 YEARS CREDIT LIMITED OFFICIAL USE

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AT 7-9 PERCENT. WITHOUT EX-IM BANK CREDIT THERE IS NO POSSIBILITY OF COMPETING AND U.S. SUPPLIERS WILL BE LIMITED TO SUPPLYING PRIVATE HOSPITALS, AN EVER DECREASING SHARE OF THE MARKET.

COMMENT

REALIZE EX-IM BANK CANNOT MATCH EXACT TERMS HUNGARIAN CREDITS, BUT AVAILABILITY EX-IM CREDIT WOULD MAKE POSSIBLE U.S. FIRMS TO COMPETE

ON COMBINATION OF LONG-TERM CREDIT, PRICES (HUNGARIAN UNIT PRICES REPORTED TO BE HIGH), AND QUALITY (U.S. PRODUCTS PREFERRED OVER HUNGARIAN). CONTINUATION PRESENT LOAN POLICY WILL JUST FORCE U.S. SUPPLIERS OUT OF FIELD IN WHICH PRESUMABLY U.S. HAS COMPARATIVE ADVANTAGE. ONCE U.S. LOSES OUT IN THIS MARKET IT WILL BE EXTREMELY DIFFICULT TO REGAIN LOST GROUND IN FUTURE YEARS.
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